



Transmitted via e-mail

May 13, 2016

Mr. Mark Cowin, Director
California Department of Water Resources
P.O. Box 942836, Room 1115-1
Sacramento, CA 94236-0001

Dear Mr. Cowin:

Final Report—Levee District No. 1 of Sutter County, Proposition 1E Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the Levee District No. 1 of Sutter County's (District) grant 4600008139, issued by the California Department of Water Resources.

The enclosed report is for your information and use. Because there were no audit findings requiring a response, we are issuing the report as final. The report will be placed on our website.

We appreciate the assistance and cooperation of the District. If you have any questions regarding this report, please contact Jon Chapple, Manager, or Angie Williams, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

David Botelho, CPA
Program Budget Manager
Administration, Audits and Information Services
Department of Finance

Enclosure

cc: Mr. Carl Torgersen, Chief Deputy Director, California Department of Water Resources
Ms. Katherine Kishaba, Deputy Director of Business Operations, California Department of Water Resources
Ms. Gail Chong, Deputy Assistant DWR Executive, Bond Accountability, California Department of Water Resources
Mr. Jeff Ingles, Chief Auditor, California Department of Water Resources
Mr. Patrick Kemp, Assistant Secretary for Administration and Finance, California Natural Resources Agency
Ms. Julie Alvis, Deputy Assistant Secretary, California Natural Resources Agency
Mr. Bryan Cash, Deputy Assistant Secretary, California Natural Resources Agency
Mr. Francis K. Silva, Chairman of the Board, Levee District No. 1 of Sutter County
Mr. Andrew Stresser, General Manager, Levee District No. 1 of Sutter County

Levee District No. 1 of Sutter County
Proposition 1E Bond Program
Grant Agreement 4600008139



Lower Feather River Setback Levee at Star Bend Project
Source: Levee District No. 1 of Sutter County

Prepared By:
Office of State Audits and Evaluations
Department of Finance

MEMBERS OF THE TEAM

Jon G. Chapple, CPA
Manager

Angie Williams
Supervisor

Staff
Dennis W. Solheim, CPA

Final reports are available on our website at <http://www.dof.ca.gov>

You can contact our office at:

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Office of State Audits and Evaluations
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(916) 322-2985

BACKGROUND, SCOPE, METHODOLOGY AND RESULTS

BACKGROUND

California voters approved the Disaster Preparedness and Flood Protection Bond Act of 2006 (Proposition 1E). The \$4.09 billion in bond proceeds finance a variety of natural resource programs.

Levee District No. 1 of Sutter County (District) is a special district within the County of Sutter governed by an independent three member Board of Directors. The District is located in both Yuba City and unincorporated areas of the County.¹

The District received a \$16.33 million grant from the California Department of Water Resources (DWR) to assist in financing the Lower Feather River Setback Levee at Star Bend Project. The project replaced a segment of the river's existing levee and an extension and rerouting of irrigation pipelines from an existing pump station at Star Bend through the new levee; a new flow closure structure on the waterward side of the new levee; and construction of a new distribution structure on the landward side of the new levee.²

SCOPE

In accordance with the Department of Finance's bond oversight responsibilities, we audited grant agreement 4600008139 for the period November 28, 2006 through August 22, 2014.

The audit objectives were to determine whether the District's grant expenditures claimed were in compliance with applicable laws, regulations, and grant requirements; and to determine whether the grant deliverables were completed as required. We did not assess the efficiency or effectiveness of program operations.

The District's management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. DWR and the California Natural Resources Agency are responsible for the state-level administration of the bond program.

METHODOLOGY

To determine whether grant expenditures were in compliance with applicable laws, regulations, and the grant requirements; and if the grant deliverables were completed as required, we performed the following procedures:

- Examined the grant files, the grant agreement, and applicable policies and procedures.
- Reviewed the District's accounting records and vendor invoices.

¹ Source: District's financial statements for the year ended June 30, 2014.

² Source: Grant Agreement 4600008139, page 6 and Exhibit A.

- Selected a sample of claimed expenditures and determined whether they were allowable, grant-related, incurred within the grant period, supported by accounting records, and properly recorded.
- Evaluated whether other revenue sources were used to reimburse expenditures claimed for reimbursement under the grant agreement.
- Evaluated whether a sample of grant deliverables were met by reviewing the District's bid processes, land acquisition records, progress reports and the project completion report, maintenance documentation, and conducting a site visit to verify existence of specific physical project components.

In conducting our audit, we obtained an understanding of the District's internal controls, including any information systems controls that we considered significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal control that were identified during our audit and determined to be significant within the context of our audit objectives are included in this report.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

RESULTS

Based on the procedures performed, the grant expenditures claimed complied with the grant requirements. Additionally, the grant deliverables were completed as specified in the grant agreement. The Schedule of Claimed Amounts is presented below.

Schedule of Claimed Amounts

Grant Agreement 460008139	
Task	Claimed³
Land/Easement/Right-of-Entry Acquisition	\$ 447,484
Fee Title and Easements-Capital Outlay Costs	784,038
Pre-Construction Engineering and Permitting	1,489,602
Environmental Mitigation/Habitat Restoration	375,299
Irrigation System Relocation and Modification	1,996,865
Levee Construction	5,028,483
Construction Management and Support	1,180,807
Operations and Maintenance Post-Construction	203,351
Project Management and Overhead	45,244
Total Grant Funds	\$ 11,551,173
Local Cost Share	2,709,534
Total Project Expenditures	\$ 14,260,707

³ DWR awarded \$16,330,210 and the District claimed \$11,551,173.